

Message Text

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PAGE 01 BERN 01307 211803Z
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03
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-----073598 220242Z /66

R 211515Z MAR 78
FM AMEMBASSY BERN
TO SECSTATE WASHDC 5969
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION GENEVA
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMCONSUL ZURICH POUCH

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USMTN ALSO FOR MISSION

USOECD ALSO FOR EMBASSY

PASS TREAS AND FRB

EO 11652: NA
TAGS: EFIN SZ
SUBJ: LANGUETIN VISIT TO WASHINGTON

1. SUMMARY: SWISS NATL BANK VP LANGUETIN TOLD
POL/ECOUNS MAR 17 THAT HE WAS ENCOURAGED BY DISCUSSIONS
IN WASH AND NY, FINDS NOTHING TO CRITICIZE
IN CURRENT USG POLICIES, APPRECIATED OPPORTUNITY
TO EXPRESS SWISS VIEWS DIRECTLY TO RANKING US OFFICIALS.
END SUMMARY.
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2. HE SAID HE REGRETTED FACT THAT SWISS PRIVATE
BANKS HAD TAKEN INITIATIVE ON SEVERAL OCCASIONS
TO SUGGEST LOAN DENOMINATED IN FOREIGN CURRENCY.
ALTHOUGH SNB HAD FOUND THIS IDEA ATTRACTIVE INITIALLY,
BUT ON A GOVT-TO-GOVT OR NATL BANK-TO-NATL BANK BASIS,
AFTER FURTHER STUDY AND HIS DISCUSSIONS IN WASH,

SNB IS CONVINCED THAT DISADVANTAGES FAR OUTWEIGH ADVANTAGES. PRIVATE BANKS HAVE BEEN ASKED TO STOP TALKING ABOUT IT.

3. LANGUETIN IS ENCOURAGED BY USG POLICIES, WHICH HAVE BROUGHT GREATER CALM TO EXCHANGE MARKETS. HE BELIEVES MARKETS UNDERESTIMATE DETERMINATION OF GOVTS TO MAINTAIN ORDERLY CONDITIONS, AND AMOUNT OF RESOURCES AVAILABLE TO US TO ACHIEVE THAT OBJECTIVE.

4. IN HIS DISCUSSIONS IN NEW YORK HE DISCOVERED THAT US BANKS ARE SERIOUSLY CONSIDERING PLACING ISSUES IN SWITZERLAND. HE TAKES THIS TO MEAN THAT THEY THINK EXCHANGE MARKET HAS OVER-REACTED AND THAT LONGER-TERM PROSPECTS FOR DOLLAR ARE GOOD. IN SHORT RUN, HOWEVER, EVENTS SUCH AS ISRAELI MOVE INTO LEBANON AND KIDNAPPING OF ALDO MORO WILL CONTINUE TO CAUSE DISRUPTION; MARKET IS STILL NERVOUS.

5. LANGUETIN SAID THAT CONTINUED HIGH LEVEL OF CONCERN ABOUT INFLATION AND DETERMINATION OF USG OFFICIALS TO CONTROL IT WILL BE UNDERSTOOD BY INTL FINANCIAL COMMUNITY AS DETERMINATION TO DEAL WITH FUNDAMENTALS. THIS, ALONG WITH PASSAGE OF ENERGY BILL, SHOULD HAVE A VERY GOOD EFFECT AND BRING WITH THEM A DECLINING REQUIREMENT FOR INTERVENTION TO LIMITED OFFICIAL USE

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RESTORE ORDERLY CONDITIONS.

6. LANGUETIN SAID HE HAD NO CRITICISM OF CURRENT USG POLICY. HIS ONLY REMAINING CONCERN WAS ABOUT WHAT HAS, ON SEVERAL OCCASIONS, BEEN SAID ABOUT IT. HE SAID HE HOPED SWISS WOULD SAY AS LITTLE AS POSSIBLE IN FUTURE, BEYOND REITERATING THEIR CONVICTION THAT POLICIES ADOPTED WILL BE EFFECTIVE.

7. LANGUETIN REPEATED PRIVATELY WHAT HE HAS SAID PUBLICLY ABOUT USG UNDERSTANDING OF SWISS POLICY, ITS CONTRIBUTION TO ADJUSTMENT PROCESS, AND CONSTRAINTS WHICH PREVENT SWITZERLAND FROM IMPLEMENTING POLICIES TO STIMULATE HIGHER RATES OF GROWTH IN SWISS ECONOMY (BERN 1176).

8. EMBASSY COMMENT: SWISS SEEM TO HAVE RECOVERED THEIR EQUILIBRIUM. SWISS PRESS REPORTING ON LANGUETIN VISIT HAS BEEN FAVORABLE. HOWEVER, AS LANGUETIN TOLD REPORTERS, IN RESPONSE TO QUESTION, IN ORDER TO FULLY CONTROL RATES ONE WOULD HAVE TO FULLY CONTROL WHAT PRESS SAID ABOUT THEM.

WARNER

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Message Attributes

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